

Bulletin

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS ■ FALL 2000



Broad Benefit Increases Enacted

This was another banner year for California educators! CalSTRS active and retired members will see significant improvements in their benefits due to a package of bills, dubbed Benefit Enhancements 2000, that were passed in the closing minutes of the legislative session. The Teachers' Retirement Board, teacher and employer groups, the Legislature and the Governor joined forces to develop and enact the bills. Benefit Enhancements 2000 reflects the goals held by all to recruit new teachers and encourage and reward career teachers.

Those goals could be achieved thanks to the actuarial valuation adopted by the board in March 2000. The valuation found that, due to reduced inflation, lower ongoing benefit costs and a high investment rate of return, the fund would have excess resources available to fund benefit enhancements.

Active Members Benefit Enhancements

Defined Benefit Supplement Account

Beginning in 2001 and extending for 10 years, 25 percent of your contributions will be allocated to the member's new CalSTRS Defined Benefit Supplement account. At retirement, the contributions and interest in your account will be available to the member.

See page 2.

Highest Year Final Compensation

If you have 25 or more years of service credit, your benefits will be calculated based on the single highest period of 12 consecutive months of compensation. Previously, the average of the highest 36 months of compensation was used in the computation. For members with fewer than 25 years, the highest 36 months will continue to be used in the calculation. See page 3.

Longevity Bonus

If you retire on or after January 1, 2001, and have earned 30 or more years of service credit by January 1, 2011, a longevity bonus will be applied to your allowance. The bonus will be \$200 monthly if you have 30 years of service credit, \$300 monthly if 31 years of service credit, or \$400 monthly if you have 32 or more years of service credit. See page 4.

Creditable Compensation

Effective no earlier than July 1, 2002, any compensation paid by an employer for future service will be credited to CalSTRS. Member and employer contributions for

• continued on page 2

Career Teachers Progress from 1997 to 2001

Using the example of a teacher aged 62 with 32 years of service credit and a final compensation of \$50,000 illustrates the tremendous increase in benefits. A 1997 retirement would have resulted in an allowance of \$30,700 annually and a 1999 retirement of about \$37,000 annually. However, that teacher retiring in 2001 can expect an annual allowance amount of \$43,200, an increase of more than 40 percent since 1997.



Benefit Enhancements 2000

FOR MORE INFORMATION: Check the frequently revised Benefit Enhancements 2000 Update on the CalSTRS home page at www.calstrs.ca.gov. Final versions of some of the new laws can be found by clicking on External Affairs and 1999–2000 State Legislative Session or the State Legislative Counsel link. You may also call the Public Service Office Monday through Friday from 8:00 a.m. and 5:00 p.m. to talk to a representative. See back page for telephone numbers.

compensation for service in excess of a full-time position will be credited to the member's account in the Defined Benefit Supplemental Program, which would be credited with interest. See story on page 6.

Measures for Retired Members

Many retired members also received benefit increases that include a one-time allowance increase and an expanded minimum guaranteed annual allowance. In addition, of interest to those soon to retire, CalSTRS will pay the Medicare Part A premiums for members who are not otherwise eligible for the coverage. See page 7.

More Benefits for California Educators

Several other bills affecting active member and retired member benefits were passed during the 2000 session. A list of them can be found in the Legislation Summary on page 14.

New Defined Benefit Supplement Program Enacted

In June, the Governor and the Legislature established an innovative benefit enhancement program as part of the 2000–01 Budget Act. Created by AB 1509 (Chapter 74, Statutes of 2000), starting January 1, 2001, each CalSTRS

active member will have a Defined Benefit Supplement Account.

What Ten Years of Redirecting Contributions Can Do

Marti earned \$45,000 in creditable compensation in 2000-01 and she had salary increases that averaged 4.25 percent for the next ten years. Her contributions earned 8 percent interest during that time. The balance of her DBS account would be approximately \$16,000 at the end of the ten-year period. When Marti retires, she can choose to take the entire amount as a lump sum or she can elect to receive a monthly amount.

Contributions from Two Sources

One source of funds into your DBS account will be one-fourth of your monthly CalSTRS contri-

bution, or 2 percent of your salary. This amount will automatically go into your DBS account from January 1, 2001, and extend through 2010. You will see no change in the 8 percent retirement contribution currently withheld from your paycheck or in your retirement allowance (see below).

In addition, AB 2700 (Chapter 1021, Statutes of 2000) allocates contributions from service in excess of one year of service to your DBS account. Starting no earlier than July 1, 2002, your 8 percent member contributions and up to 8 percent of the employer contributions for such work as summer school that raises your service above one year will go into your DBS account. This provision will not cease at the end of 2010, as does the 2 percent redirection of your member contribution.

The funds in your new DBS account will earn interest at a rate set at the beginning of each year by the Teachers' Retirement Board. At the end of each year, if actual earnings exceed the board-set interest rate, the board may declare an additional earnings credit.

What You Will Receive

The amount available to you at retirement will vary, depending on your salary, your excess service and the interest your account earns until you retire. Each year, you will receive a separate DBS annual statement of account that lists the amounts of contributions and interest in your DBS account.

You can withdraw the funds in your DBS account only when you retire, become disabled, die or one year after terminating CalSTRS-covered service. You cannot borrow from or make additional contributions to your DBS account. Your DBS account beneficiary(ies) will be the same that you have for your Defined Benefit account.

• continued on page 3



You can choose to receive the balance of the contributions and interest in your DBS account as:

- a lump-sum payment (which can be rolled over into an IRA)
- if the amount is at least \$3,500, a monthly payment
- a combination of lump-sum and monthly payment

Your Retirement Allowance Will Not Be Affected

The retirement benefit you earn as a member of the Defined Benefit Program will not be affected by the redirection of contributions to this new DBS program. Your DB allowance amount at retirement is based on a formula that includes your final compensation, years of service credit and a factor based on your age at retirement. It is **not** based on the amount in your DB account at retirement.

In addition, contributions into the DBS account will not affect your ability to make contributions into a 403(b) or similar tax-deferred savings plan.

Highest Year Final Compensation Available

Twenty-five Years of Service Credit Qualifies You

If you retire on or after January 1, 2001, with 25 or more years of CalSTRS service credit, you will see your benefit calculation changed. Your highest one-year compensation will be used as the final compensation component in your retirement calculation.

AB 821 (Chapter 1028, Statutes of 2000) was designed to reward career teachers because if the highest year final compensation is used in the calculation, the retirement allowance will likely be higher.

If you retire with fewer than 25 years of service credit, the previous calculation of the average of your highest consecutive three years of compensation will still be used in the calculation.

Final Compensation Example

Jerry retired at age 63 with 25 years of service credit. His annual compensation in 1998 was \$50,000. In 1999 he had a 4 percent raise and an income of \$52,000. In 2000, he had another 4 percent raise to an annual income of \$54,080.

Under the old law, the average of his highest three years of compensation would be used:

$$\begin{aligned} \$50,000 + \$52,000 + \$54,080 &= \$156,080 \div 3 = \\ &= \$52,027 \text{ final compensation} \end{aligned}$$

Jerry's retirement allowance calculation would be:

$$\begin{aligned} 2 \text{ (years)} \times \$52,027 \times 2.4 \text{ (age factor)} &= \$31,216 \\ &\text{unmodified annual allowance} \end{aligned}$$

• continued on page 4



Benefit Enhancements 2000

Highest Year continued from page 3

Under the new law, Jerry's highest one year of compensation would be used to calculate his unmodified retirement allowance:

$$25 \text{ (years)} \times \$54,080 \times 2.4 \text{ percent (age factor)} = \$32,448 \text{ unmodified annual allowance}$$

Unearned Service Credit Does Not Apply

Unused sick leave, airtime and Golden Handshake credit do not apply in determining eligibility for this benefit.

Longevity Bonus Boosts Allowance

For the next ten years, the career bonus will have a second component, created by AB 1933 (Chapter 1029, Statutes of 2000). A "longevity bonus" will be permanently added to the unmodified monthly retirement allowance of those who accumulate at least 30 years of service credit in the window period between January 1, 2001, and January 1, 2011, regardless of when they retire.

The longevity bonus is on top of the .2 percent career bonus (now renamed "career factor") that is added to the age factor of members who retire with at least 30 years of service credit.

To qualify for the longevity bonus:

- you do not have to retire in the window period, but your total years of service credit must be at least 30 years at some time in the window period
- you cannot use nonqualified service credit ("air time"), unused sick leave credit or Golden Handshake credit to qualify for the longevity bonus
- you can be an inactive member at the time of your retirement and still qualify for the longevity bonus

Bonus Can Increase Beyond 2011

If you have earned at least 30 years of service credit in the window period and then earn 31, 32 or more years of service credit after 2011, you will qualify for the longevity bonus, for that higher amount of service credit.

Increase Depends on Service Credit

The longevity bonus amount will depend on your years of service credit when you retire.

If you have earned	You will receive monthly
30 years	\$200
31 years	\$300
32 or more years	\$400

You can choose an option at retirement, which distributes your allowance over you and another person(s)

• [continued on page 5](#)





Longevity Bonus continued from page 4

lifetimes. If you do this, the monthly bonus amount will be actuarially reduced (or modified), as is your retirement allowance.

The longevity bonus will be subject to the annual CalSTRS 2 percent simple cost-of-living adjustment.

Partial Redeposit is Now Possible

If you terminate CalSTRS-covered employment, you have the option of taking a refund of your CalSTRS account, which contains your employee contributions and accrued interest.

If you later return to CalSTRS-covered employment, you can pay back or "redeposit," the refund before you retire. This will restore the CalSTRS service credit you lost when you took the refund. Members choose to redeposit their refunded CalSTRS account to increase their service credit at retirement, since service credit is a part of the allowance calculation.

Previous law required members to redeposit the entire amount of any refunded contributions, plus pay the interest that had accrued since the refund date. Often the total due was several thousand dollars.

Effective July 1, 2001, however, CalSTRS members can choose to redeposit just a part, rather than all, of previously refunded contributions, in addition to the interest the contributions would have accrued.

AB 820 (Chapter 1020, Statutes of 2000) provides this additional flexibility for those who cannot afford the cost of the entire refund and interest. Another advantage is you can now determine how much service credit to buy back if only a portion of the previously refunded service credit would qualify you for such enhanced benefits as the career factor or longevity bonus.

Other Partial Purchases Allowed

Beginning January 1, 2001, the new law also allows you to purchase a portion, rather than all, of certain types of service credit that was previously omitted from the Defined Benefit Program. Termed "excluded" service, this service includes:

- substitute service
- part-time service
- adult education service
- school nurse service
- service subject to coverage under the DB Program performed while a member of another public retirement system
- service performed in a position prior to the date the position was made subject to DB Program coverage

In addition, beginning July 1, 2001, you can purchase a portion, rather than all, of service credit for certain types of service, termed "additional," you might have performed in the past. This type of additional service includes, but is not limited to:

- sabbatical leave
- certain active military leave
- University of California or State University service
- maternity/paternity leave or family care and medical leave

• continued on page 6



Benefit Enhancements 2000

Partial Redeposit continued from page 5

If you are interested in making a partial purchase of either excluded service credit, please contact the Public Service Office after January 1, 2001. If interested in a partial purchase of credit for additional service, contact the Public Service Office after July 1, 2001.

Creditable Compensation Expanded

Most Education Duties Now Included

A significant part of the legislative package passed this year allows more kinds of education activities to count toward your CalSTRS retirement. AB 2700 (Chapter 1021, Statutes of 2000) expands the definition of creditable compensation to include income earned in the future from extra duties such as summer school or after-school activities. Also, it specifies contributions for service that exceed full-time service will be credited to you in your new Defined Benefit Supplement account. These provisions will become effective no earlier than July 1, 2002.

Why are Creditable Compensation and Service Important?

Your accumulated years of service credit and the highest compensation for service are two of the factors CalSTRS uses to compute your Defined Benefit allowance at retirement. An increase in these factors would result in a higher retirement allowance for you or your beneficiary.

More Types of Service Included

As a CalSTRS member employed in education, you earn service credit on, and you and your employer pay contributions on, your compensation from that service. The definition of what can be counted as creditable compensation and creditable service is expanded by AB 2700 to include income from these extra activities:

- summer school
- intersession
- department chair stipends
- allowances
- pay-for-performance bonuses

Service in and compensation associated with these extra activities will be credited to your Defined Benefit account, up to the equivalent of full-time service in a school year.

Excess Service

If you earn more than the full-time equivalent of service in a school year, neither the excess service nor its compensation will be counted toward your retirement allowance. However, your member contributions, and up to 8 percent of employer contributions associated with the excess service's compensation will be allocated to your new Defined Benefit Supplement account.

See the article on page 2 for more information on the Defined Benefit Supplement account.

Earnings Limitation Changed



If you plan to retire soon, you may want to know about new legislation affecting work after your CalSTRS retirement.

Normally, your only restrictions on employment after CalSTRS service retirement are within the public school system in California. You may accept employment outside the California public school system in any capacity and still continue to receive your CalSTRS allowance with no limitation on your earnings.

• continued on page 7



Earnings Limitation continued from page 6

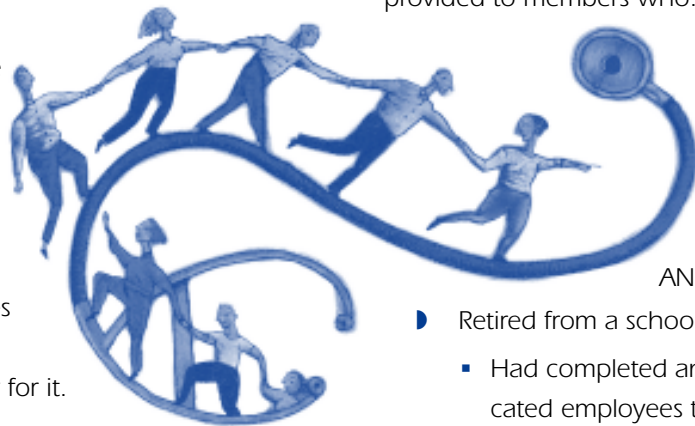
However, if, after retirement, you perform CalSTRS creditable service in K-14 and are an employee of a public school district or a third party, or an independent contractor, there is an annual limit on the amount you can earn without affecting your CalSTRS allowance. Your CalSTRS allowance will be reduced by the amount of your creditable earnings in excess of the limit. The limit in the 2000-01 school year is \$19,650.

AB 1733 (Chapter 896, Statutes of 2000) increases the earnings limit to \$22,000, effective January 1, 2001. In addition, it removes the earnings limitation for members who return to teaching without performing CalSTRS-covered service for at least one year after their retirement date. This latter provision is also effective beginning January 1, 2001, and will "sunset," or terminate, January 1, 2008.

CalSTRS to Fund Medicare Part A

A new benefit for retired educators may apply to some current members when they retire. SB 1435 (Chapter 1032, Statutes of 2000) requires CalSTRS to pay Medicare Part A premiums and any applicable surcharges for current retired members if they do not otherwise qualify for it.

The law also grants authority to the Teachers' Retirement Board to extend this benefit, under specific circumstances, to eligible active members who retire in the future. CalSTRS anticipates this benefit will be extended in the future unless there is a significant downturn in CalSTRS funding.



Why Fund Medicare

For the past two years, the Teachers' Retirement Board has sought ways to relieve the health care burden of many retired educators. Earlier this year, the board decided providing premium-free Medicare coverage for those without it would be an important step toward that goal.

California's teachers do not pay Social Security, therefore, they are not automatically participating in Medicare, unless they were hired after March 31, 1986. CalSTRS members hired after that date are required to pay the 1.45 percent of salary for Medicare coverage. In many districts, not all current retired members qualify for Medicare through this method or through their own or their spouse's non-teaching employment.

Future Eligibility

If the board, as expected, extends Medicare coverage to active members who retire in the future, those members must meet specific criteria. Coverage would be provided to members who:

- ▶ Retire on or after January 1, 2001, and are not eligible for Medicare Part A without payment of a premium AND
- ▶ Enrolled in Medicare Parts A and B at age 65

AND

- ▶ Retired from a school district that either:
 - Had completed an election to permit certificated employees to be covered by the Medicare payroll tax prior to January 1, 2001
- OR
- Had completed or is conducting the election on or after January 1, 2001, and if the member was less than 58 years of age at the time of the election, the individual member elected to participate in the Medicare payroll tax.



Message from the Chair

By Emma Zink, Chair
Teachers' Retirement Board

I'm pleased to announce the Teachers' Retirement Board has selected Christopher J. Ailman as chief investment officer. He comes to us from his position as chief investment officer at the Washington State Investment Board.

Chris brings the perfect mix of experience, management skills and demonstrated track record to continue our excellent portfolio performance. Recognizing there's always room for improvement and innovation, I look forward to the impact his ideas and energy will have on the fund.

A 20-year veteran in investment management, Chris has been WSIB's investment chief for four years.

Before going to Washington, he spent eleven years at the Sacramento County Employees' Retirement System where he served as CIO of the pension fund for the county.

At WSIB, Chris managed a \$57 billion pool of assets held in 28 trust funds, to include funds for industrial insurance, deferred compensation, defined benefit and defined contribution programs. He led WSIB to a greater diversification of assets and a reduction in use of external managers.

Under Chris' leadership, WSIB reached \$6 billion of investments in private equity, the third largest holding in the world. The WSIB retirement fund had a 14.3 percent rate of return this past fiscal year.

At the recent 2000 Institute for Fiduciary Education conference, Chris was named "CIO of the Year" for his contributions to the pension and investment community.

He received a Bachelor of Arts in Business Economics from the University of California Santa Barbara in 1980. Chris received his Certified Financial Planner from the University of Southern California in 1984. Prior to his positions in the public sector, he worked five years in the private sector

as a personal investment consultant and financial planner.

A Southern California native, Chris lived 13 years in Sacramento and expresses pleasure at returning to the area where he has many friends. Chris and Robin, his wife, have three very active daughters and enjoy family soccer games, hiking, swimming and skiing in their spare time. Chris feels a special affinity to teachers and CalSTRS. He was educated K-12 in the California public school system. In addition, his sister is a retired career California teacher in Northern California, plus he has two sisters-in-law who are active members in CalSTRS.



Christopher J. Ailman



CalSTRS Vision Statement

CalSTRS is committed to lifetime security and service that meets the changing needs of California's educators.

State of California

Gray Davis, Governor
Aileen Adams, Secretary, State and Consumer Services Agency

Teachers' Retirement Board

Emma Zink, Chairperson
Lillian Raffel, Vice Chairperson
Yvonne Gallegos Bodle, Ph. D.
George Fenimore
Gary Lynes
Marty Mathiesen
Phil Angelides, State Treasurer
Kathleen Connell, State Controller

Delaine Eastin, Superintendent of Public Instruction
B. Timothy Gage, Director, Department of Finance

James D. Mosman, Chief Executive Officer
Christopher J. Ailman, Chief Investment Officer

Sherry Reser, Managing Editor
Susan Skeoch, Editor

Statements in this publication are general and the Teachers' Retirement Law is complex and specific. If a conflict arises between information contained in this publication and the law, any decisions will be based on the law and not on this publication.

The *Bulletin* is published twice a year for active and inactive members of the Defined Benefit Program and participants in the Cash Balance Benefit Program of the California State Teachers' Retirement System. Comments or suggestions may be directed to: Editor, Public Affairs, MS #34, P.O. Box 15275, Sacramento CA 95851

Printed on recycled paper

Yes, CalSTRS uses the internet to serve its members. In fact, the CalSTRS Web site was recently cited by an independent party as outstanding in the areas of substance, functionality, logical format and user friendliness. CalSTRS participates in an annual benchmarking effort with 17 major retirement systems worldwide and it was through this process CalSTRS was ranked among the top five.

This good news is gratifying to me. I'm committed to providing the best service possible to CalSTRS members and I believe a large part of that lies in making our Web site useful, informative and easy to use.

Since its debut in April 1996, the number of visits, or "hits," to the Web site has increased from fewer than 5,000 to approximately 38,000 this past year. New features for the Web site are constantly in development and added as soon as possible. Our aim is to make the Web site an innovative, interactive and dynamic means of communicating with CalSTRS members and interested parties.



Ask the Chief

By James D. Mosman
Chief Executive Officer

Does CalSTRS Have a Web Site?



Currently at the Web site, you can view and print more than 100 megabytes of data, a veritable wealth of information about CalSTRS, benefits and programs, legislation, publications and forms.

In July, we implemented interactive features that allow CalSTRS to offer audio and video productions on the Web site and the ability to conduct secure transactions over the Web. This considerably expands our ability ultimately to provide you around-the-clock access to CalSTRS and your own account information.

Right now you can contact CalSTRS regarding account information by completing an online e-mail form and forwarding it to CalSTRS electronically. This process insures the security of your confidential information. You will get a response by telephone or e-mail in approximately three days.

Proposed Web site features include secure online transmittal of Cash Balance Benefit Program contribution balance, secure online viewing of Defined Benefit account statements, secure online access of CB and the new Defined Benefit Supplement accounts. In the not too distant future, we hope members will be able to complete the entire retirement process online, if this is their preference.

In addition, the financial education program information online is planned to expand to include the ability to determine the assets necessary to continue your pre-retirement standard of living, the immediate actions to take for a secure retirement future and how to make informed decisions about CalSTRS benefit options.

As computer technology evolves, we will do our best to keep pace in our drive to provide world-class service to California's educators.

Your Telephone Now Unlocks Your Account

Fax-Back Feature Adds Flexibility

Your telephone is now your key to important personal CalSTRS account and document information. New equipment allows you to use your telephone to directly access your personal account information, follow the status of an application or have Teletalk information faxed to you anywhere or anytime you wish. Also, you can now transfer directly to Financial Education Program staff from the main telephone menu.

Secure telephone access to your personal account information is one part of the CalSTRS business plan to use technology to provide new services to members. In the future, CalSTRS will add more services to the telephone system.

Here's how it works

Call 800-228-5453, then~

Press 1 for Confidential Source of Individual Information

**PRESS
1**

Use the easy, automated process to input your Social Security number and receive up-to-date information. You can learn how much service credit you have accumulated and total contributions and interest in your

account. If you have submitted a retirement or refund application to CalSTRS, you can learn when the form was received by CalSTRS. Call between 6:00 a.m. and 6 p.m., Monday through Friday.

For Teletalk Message and Fax

CalSTRS has more than 100 recorded Teletalk messages available for members to listen to automatically. Occasionally, members have said they would like to have a paper copy of a Teletalk message for reference. Now you can have a copy of a Teletalk message faxed to you.

**PRESS
2**

At the main telephone menu, press 2, listen to the instructions and select a Teletalk message. When you have listened to a message, just follow the verbal telephone prompts to have a copy faxed to you. The Teletalk/fax system is available 24 hours a day, seven days a week. In addition, the text of all Teletalk messages are available at the CalSTRS web site, www.calstrs.ca.gov/feedback/infonow2.html.

For FEP Staff

At the main CalSTRS menu, press 3 on your telephone, follow the verbal prompts and you will be automatically transferred to Financial Education Program staff members to discuss workshop dates and details. For FEP information, call Monday through Friday, 8:00 a.m. to 5:00 p.m. If you call outside of these hours, you can leave a voice message.

**PRESS
3**

You can also order forms, booklets or request a statement of account from this option. Call 24 hours a day, seven days a week.

For Cash Balance Benefit Program

Press 5 for Cash Balance Benefit Program information. You can request CBBP description information 24 hours a day, seven days a week.

**PRESS
5**

For Public Service

Press 0 to talk with a Public Service Office representative. Representatives are available from 8:00 a.m. to 5:00 p.m., Monday through Friday.

**PRESS
0**

Social Security Issues May Affect Some Members

Are you expecting to receive a full Social Security benefit and a CalSTRS retirement allowance? If so, you need to know about two Social Security provisions that may reduce your Social Security benefit. These provisions may affect you even if you have earned the minimum 40 Social Security credits through other employment or expect to receive a Social Security benefit based on a spouse's earnings.

Windfall Elimination Provision

Social Security uses an alternative calculation for members who qualify for both a Social Security benefit based on their own covered employment (i.e., private industry) and a CalSTRS retirement allowance. The exact amount of the reduction is based on your earnings history and changes every calendar year. In 2000, the maximum WEP reduction is \$265.50 per month.

If you meet the 40-credit requirement, you should apply for Social Security, even though your benefit may be reduced. You are exempt from the Windfall Elimination Provision if you were eligible to retire from CalSTRS prior to January 1, 1986, or if you have had 30 or more years of what Social Security calls "substantial earnings" covered by Social Security. In 2000, substantial earnings are \$14,175, or more, annually.

Government Pension Offset

This provision affects members expecting to receive a CalSTRS retirement allowance and a Social Security benefit as a spouse, former spouse or widow(er). Under this

provision, your Social Security benefit is reduced by two-thirds of your CalSTRS retirement allowance. If two-thirds of your CalSTRS allowance exceeds the amount of your spousal benefit from Social Security, you will not receive a benefit from Social Security. You are exempt from the GPO if you were eligible to retire from CalSTRS prior to December of 1982 and met the Social Security spousal benefit requirements in effect in January of 1977.

CalSTRS Retirement Allowance

Your CalSTRS retirement allowance *will not* be reduced because of these provisions in Social Security law.

Medicare

While California educators do not pay into Social Security, many do pay for Medicare (1.45 percent of gross earnings). You are eligible for Medicare if you have met the 40-credit requirement on your own account or if you are eligible as a spouse.

For More Information

Visit the CalSTRS Web site at www.calstrs.ca.gov to view a brief

video on the Government Pension Offset and the Windfall Elimination Provision.

Social Security law contains many provisions and exceptions. You should speak with their representatives to determine if any of these exceptions apply to your individual circumstances. Contact the Social Security Administration direct at 800-772-1213.

You can visit their Web site at www.ssa.gov where you can review or download publications on the two provisions.

CalSTRS Efforts

Social Security is a federally mandated program in which neither CalSTRS nor the state of California has control. Any changes to these provisions must be accomplished through federal legislative efforts. However, CalSTRS is working closely with employee groups, retirement systems in other states and national organizations to determine the effects Social Security offsets have on government employees, particularly CalSTRS members.

CalSTRS is also monitoring federal legislation proposed to provide relief from both the GPO and WEP. CalSTRS has participated along with other states and constituencies to communicate to Congress that some relief is needed because it is apparent that both federal offset provisions were enacted using the false assumption that government pensions are the result of substantial careers in public service.



Financial Education Program Schedules 40 Workshops

Are you in the early stages of your career in education? Then, you may have not given much thought to your final career years and retirement. *But, you should.* Professional retirement advisers caution that each of us should begin planning for retirement shortly after we begin our careers. The five-year-old CalSTRS Financial Education Program provides the comprehensive, unbiased information you need to make the best savings and planning choices.

What You Will Learn About

With 40 workshops scheduled for the 2000–01 school year, you can find at least one in your area. Each four-hour FEP workshop provides information on:

- CalSTRS programs and benefits, including the Voluntary Investment Program

- cash management basics
- estate planning
- investments and retirement planning
- Social Security as it applies to CalSTRS members
- risk management and insurance

Workshops are held on Saturday mornings from 8:00 a.m. to 12:30 p.m. and the cost for the workshop, materials and refreshments is \$20 for members and \$10 for one guest.

Two Ways to Register

☎ **Call 1-888-394-2060.**

A technician will reserve a spot for you and answer any questions you have.

- ☞ Online at the CalSTRS Web site. Log on at **www.calstrs.ca.gov** and click on the FEP workshop registration on the home page.

Remaining Financial Education Program Workshops

- | | |
|----------|---|
| 01/20/01 | Fresno COE
Rm 270
1111 Van Ness Ave
Fresno |
| 01/20/01 | S. Kern Un Sch. Dist
3082 Glendower St
Rosamond |
| 01/20/01 | San Juan Un Sch. Dist
Boardroom
3738 Walnut Ave
Carmichael |
| 01/20/01 | Humboldt COE
Conference Rm
901 Myrtle Ave
Eureka |
| 01/27/01 | Riverside COE
Conference Rm
3958 12 th St
Riverside |
| 01/27/01 | San Joaquin COE
Edu Service Center
2707 Transworld Dr
Stockton |
| 01/27/01 | Santa Clara COE
1290 Ridder Park Dr
San Jose |
| 01/27/01 | Contra Costa COE
Boardroom, 3 rd Fl
77 Santa Barbara Rd
Pleasant Hill |
| 02/03/01 | Laguna Middle School
11050 Los Osos
Valley Rd
San Luis Obispo |



		03/10/01	San Juan Unified School District Boardroom 3738 Walnut Avenue Carmichael	04/07/01	Orange COE Boardroom 200 Kalmus Dr Costa Mesa
		03/10/01	Oak Grove Sch Dist 6578 Santa Theresa Blvd San Jose	04/07/01	Ventura COE J. F. Cowan Conf Center 550 Airport Way Camarillo
02/10/01	Mendocino COE River Rm 2240 Eastside Rd Ukiah	03/17/01	Kern Cty Super Sch. City Center Rm 1B 1300 17 th St Bakersfield	04/14/01	San Juan Un Sch Dist. Boardroom 3738 Walnut Ave Carmichael
02/24/01	Santa Cruz COE 809-H Bay Ave Santa Cruz	03/24/01	West End Edu Serv Center 8265 Aspen Ave Rancho Cucamonga	04/14/01	Sonoma COE 5340 Skylane Blvd Santa Rosa
02/24/01	Imperial COE 1398 Sperber Rd El Centro	03/24/01	San Diego COE 6401 Linda Vista Rd San Diego	04/28/01	San Joaquin COE Edu Service Center 2707 Transworld Dr Stockton
02/24/01	Columbia College Oak 9 11600 Columbia Coll Dr Sonora	03/24/01	Sequoia Middle Sch 1805 Sequoia St Redding	05/05/01	Fresno COE Rm 270 1111 Van Ness Ave Fresno
03/03/01	Fresno COE Rm 270 1111 Van Ness Ave Fresno	03/24/01	Hartnell College Steinbeck Hall 156 Homestead Ave Salinas	05/05/01	San Diego COE 6401 Linda Vista Rd San Diego
03/03/01	San Mateo COE Rms A & B 101 Twin Dolphin Dr Redwood City	03/24/01	Contra Costa COE Boardroom, 3 rd Fl 77 Santa Barbara Rd Pleasant Hill	05/19/01	Los Angeles COE Boardroom 9300 Imperial Hwy Downey
03/10/01	Los Angeles COE Boardroom 9300 Imperial Hwy Downey	03/31/01	Santa Barbara COE 4400 Cathedral Oaks Blvd Santa Barbara		

State Legislative Session Year-End Results for 2000

The Legislature has completed its work for the year 2000. The following bills affecting active CalSTRS members, unless otherwise noted, were signed into law by the Governor. The legislative provisions will become effective on January 1, 2001.

Unless indicated otherwise, any benefit change will apply only to members who retire after the effective date of the provisions. You should review each bill to assess how it may impact your career and retirement plans.

For more information on legislation and benefit changes, consult the CalSTRS Web site at www.calstrs.ca.gov.



See the Benefit

Enhancements 2000 articles for the other new legislation affecting benefits.

Assembly Bills

AB 141 Knox-Chapter 22, Statutes of 2000

Temporarily expands earnings limit exemption for selected administrative positions.

AB 649 Machado-Chapter 402, Statutes of 2000

CalSTRS members who were hired in state education positions between July 1, 1991, and September 1, 2000, under CalPERS Tier II, or hired in the future, could convert Tier II service to CalSTRS and have future service in CalSTRS. State CalSTRS members will have unused educa-

tional leave converted to service credit at retirement.

AB 2201 Honda (held in committee/not considered further)

Among other provisions, would have allowed compounded cost-of-living adjustments to the retirement allowance and provided an age factor of 2 percent at age 55.

AB 2383 Keeley-Chapter 874, Statutes of 2000

Expands eligibility under Public Employees Medical & Hospital Care Act for part-time employees and selected CalSTRS survivors and requires CalSTRS to report on health benefit plan.

AB 2456 Wright-Chapter 897, Statutes of 2000

Allows partial lump-sum distribution of benefit for members retiring no earlier than 2002, subject to an actuarial reduction in the monthly



allowance. The amount of resulting reduction in monthly amount cannot exceed 15 percent.

AB 2939 Firebaugh (held in committee/not considered further) Would have provided an age factor of 2 percent at age 55.

Senate Bills

SB 1692 Ortiz-Vetoed

Would have allowed retired educators who return to teaching for one year to apply any retirement benefit improvements to their entire teaching service. The Governor

• continued on page 19

Statutory changes are made from time to time that affect CalSTRS benefits and that may affect any decisions you make in relation to those benefits. These changes are made by the California Legislature and the Governor. Although CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you. For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS Web site (www.calstrs.ca.gov), the CalSTRS Public Service Office (1-800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe may be helpful to you before you make any final decision. You are ultimately responsible for any decision you make in regard to your CalSTRS benefits.

Early Planning Can Help Anyone “Who Wants to be a Millionaire”

Since most of us will never have an opportunity to win a million dollars on a quiz show or by surviving on a tropical island, it is important to take steps now to maximize our savings potential to retire with the lifestyle we want. The CalSTRS Voluntary Investment Program (formerly the CalSTRS 403[b] Program) is a tax-deferred savings program that can help you reach millionaire status.

The *Wall Street Journal** recently cited the following example as an alternative to giving Regis your final answer: “If a 25-year old earning \$30,000 a year invests 10 percent a year and realizes an annual return of 6 percent, he or she will accumulate about \$1.1 million by age 65.” Although the *Wall Street Journal* assumes a 6 percent annual rate of return and a 2 percent annual salary increase, these may be conservative estimates.

Currently, the typical annual starting salary for teachers in California is approximately \$30,000. The 10 percent investment is a high rate of savings, but the following shows what you could have at retirement by starting early and saving 2 percent, 4 percent or 6 percent of your annual salary:

Age	Salary	2% Contributed	4% Contributed	6% Contributed
25	\$30,000	\$ 618	\$ 1,235	\$ 1,853
44	43,704	26,581	53,162	79,743
54	53,275	60,726	121,451	182,177
64	64,942	124,747	249,494	374,242

\$Assumes a teacher who is 25 with a starting salary of \$30,000 who receives a salary increase of 2 percent each year. Savings earn 6 percent return each year.

The key to successful retirement is planning and investing beginning early in your career. Saving in the CalSTRS VIP can be one piece of your overall retirement plan.

VIP Provides Four Investment Choices

Four investment vehicles, selected by the Teachers’ Retirement Board, are available through VIP. VIP members have accumulated more than \$50 million by choosing to invest in one or more of the following:

- Provident Institutional Fund’s Prime Money Market Mutual Fund
- S&P 500 Index Fund
- EAFE Equity Index Fund



- Self-Managed Account—where you can direct your investments in more than 3,000 mutual funds, including some with low annual fee schedules

Where to Find More Information

For more information, call toll-free 800-699-4032, Monday through Friday, 9:00 a.m. to 5:00 p.m.

Or log on to the CalSTRS Web site at www.calstrs.ca.gov and click on Benefits & Programs and then the VIP logo to learn more about the program, including frequently asked questions, and download enrollment forms.

Financial Planning Workshops designed for members who are ten or more years from retirement are offered by CalSTRS. You can obtain more information and VIP enrollment forms at a workshop. See page 12.

**From “Regis Envy,” Wall Street Journal, March 24, 2000.*

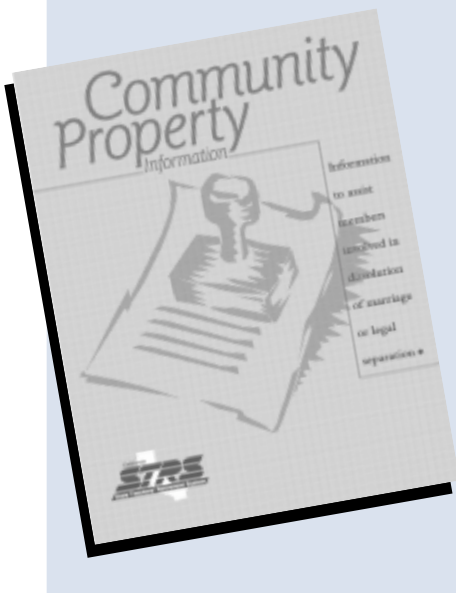
Community Property Information Booklet Available

CalSTRS recently published *Community Property Information*, PAO 211, that may be helpful to some CalSTRS members. The booklet provides information and sample forms concerning methods of division of community property and survivor benefits in the event of the divorce or legal separation of a member.

You can obtain a copy by calling the CalSTRS automated telephone system and selecting the forms ordering option at the main menu. See page 20 for telephone numbers.

On The Web

You can view this publication on the CalSTRS Web site at www.calstrs.ca.gov/publish/publish.html



Visitors to the September 2000 Teachers' Retirement Board meeting enjoy the Member Art Gallery during the lunch break.

New Member Art Gallery Open

Finishing touches were recently put on the new ground-floor CalSTRS boardroom and Member Art Gallery. The boardroom is larger than the previous one and offers new technologies to board members, presenters and visitors. The star is the new Member Art Gallery, just outside the boardroom doors.

The 60-foot-long Member Art Gallery presents works of art by CalSTRS members and participants. The first display featured art in oil, photography, watercolor and ceramic in artistic styles ranging from traditional to contemporary. The exhibit changes each quarter.

Like to Exhibit Your Work?

If you want the opportunity to display your artwork, contact Peggy Plett, CalSTRS Deputy Chief Executive Officer of Administration,

at 916-229-3900 or pplett@calstrs.ca.gov. You can discuss size, condition, shipping and suitability guidelines with her and she can send you a gallery fact sheet.

How Your Art Will be Displayed

An identification card is posted on the wall next to each item that gives the item name, your name, your school name and the medium used. If your art work is for sale, the price and availability will be noted on the card.

If you come to Sacramento, drop in and visit the new Member Art Gallery during normal business hours, Monday through Friday.

Cash Balance Corner

Program Shows Steady Growth

The Cash Balance Benefit Program, designed for California's substitute, part-time, and adjunct instructors, whose basis of employment is less than 50 percent, has been steadily growing!

As of August 1, 2000, the program has 9,483 participants and has received more than \$9.6 million in contributions. Currently 34 employers in 15 different counties have resolved or bargained to offer the CB Benefit Program. The net asset value of the CBBP as of June 30, 2000, was \$10.6 million. This growth illustrates that employers and employees who have elected into this program agree it is often the best plan for part-time teachers. The most recent employers agreeing to offer this innovative alternative are Los Angeles Community College and Mountain View Elementary Districts in Los Angeles County, Sierra Joint Community College District in Placer County and Butte Community College District in Butte County.

CBBP Participation Eased by Legislation

Participation in the CBBP just became easier, due to legislation passed in the final hours of the 2000 legislative session and signed by the Governor. Effective July 1, 2001, AB 820 (Chapter 1020, Statutes

of 2000) permits an educator to participate in the CBBP for an employer offering it, even if the person also works for an employer who does not offer the program. Previously, if an educator was employed by more than one employer, as are many part-time community college instructors, all employers had to offer the CBBP before the educator could sign up.

AB 820 also permits a trustee of a CBBP employer to elect to participate in CBBP for trustee service.

For more details on the legislation, log on to the CalSTRS Web

site at www.calstrs.ca.gov, click on Benefits & Programs and click on the CBBP logo.

Interest Rate Increase

At the Teachers' Retirement Board meeting on June 8, 2000, the board voted to adopt an additional earnings credit for the 98–99 fiscal year that would result in an average effective interest rate of 8.5 percent. The additional earnings credit was credited as of July 1, 1999, and will be reflected on participants' CBBP 1999–00 annual statement of account.

Participating Employers

The following is a list of school districts and employers that offer the Cash Balance Benefit Program for their employees.

K-12 School Districts

Berkeley Unified
Camptonville Elementary
Cloverdale Unified
Fort Jones Union Elementary
Fremont Unified
Gorman
Grossmont Union High School
Hornbrook Elementary
Jamestown Elementary
Laytonville Unified
Montgomery Elementary
Mountain View Elementary
Robla Elementary
Round Valley Unified
West Contra Costa Unified

Community College Districts

Antelope Valley
Butte
Chabot/Las Positas
City College of San Francisco
Contra Costa
El Camino
Foothill – De Anza
Fremont/Newark
Glendale
Los Angeles
Mira Costa
Peralta
San Jose/Evergreen
San Mateo County
Sierra Joint
Solano County Jr. College
Sonoma County Jr.
Ventura County
Yuba



Home Loan Program Has Features for Every Member

The CalSTRS home loan program offers fixed-rate, principal-residence, purchase or refinance, 15- or 30-year mortgage loans to members. Loan terms and conditions are competitive and you can find a CalSTRS-affiliated lender in any area of the state.

Three Chances for Lowest Rate

The lowest mortgage interest rate will be locked in on either:

- ✦ the date your application is accepted or
- ✦ the date of lender approval or
- ✦ the date your escrow documents are drawn.

No Points, No Fees Option

This option allows you to borrow up to 95 percent of the home price and:

- ✦ CalSTRS pays all non-recurring costs
- ✦ you pay 5 percent down, pre-paid interest charges and property taxes

- ✦ your loan interest rate is competitive

Zero-Down Payment Option

You can purchase a new home and finance the entire amount of the purchase price using CalSTRS/ CaHLIF Zero-Down Preferred Program. It makes purchasing a home more affordable with its second mortgage payment plan that may be deferred for the life of the loan. The program combines the traditional 95 percent loan-to-value with the secondary financing provided by CalSTRS equal to 5 percent of the purchase price of the home. The interest rate on the

second mortgage will be the same as the first mortgage.

Both Defined Benefit Program members and Cash Balance Benefit Program participants can obtain loans through the CalSTRS home loan program.

The Zero Down option is currently offered by CUNA, First Mortgage and North American Mortgage companies. Other lenders continue to be added.

For the latest list of available lenders, log on to the CalSTRS Web site, click on Benefits and Programs, on Home Loan Program and then on Program Summary.

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Lender List

Bank of America

Northern Cal. 650-858-6004

Southern Cal. 888-723-7430 x8472

CALFED 800-CALFED-7

California Coast Credit Union 619-495-1600

Countrywide Home Loans 800-877-5626

CUNA Mortgage Corp. 800-576-3577

First Mortgage Corp. 877-595-1998

Lancaster Mortgage Services, Inc. 800-404-0536

Marina Mortgage Co., Inc. 888-350-7975 x484

Mission Federal Credit Union 858-546-2039

North American Mortgage Company 800-700-6272

Orange County Teachers' Federal CU 800-462-8328

The Golden 1 Credit Union 800-732-2828

Wells Fargo Home Mortgage 909-680-3685

stated he does not believe one year is a sufficient period to warrant this significant benefit. He stated he would consider legislation that lengthens the period of time to at least two years.

SB 1694 Ortiz-Chapter 880, Statutes of 2000

Department of Education employees hired in future to perform CalSTRS-covered service could elect to remain in CalPERS, and CalSTRS members hired into state education positions could remain in CalSTRS.

BULLETIN BOARD

Franchise Tax Board Wants You to Know

Eligible California educators received a potential state tax credit in a bill passed this year. Effective with the 2000 tax year, AB 2879 created the Teacher Retention Tax Credit. The amount of potential tax credit is based on the number of years of service as a credentialed K-12 teacher. For each eligible teacher, if:

Your Years of Service are

From 4–6 years
From 6–11 years
From 11–20 years
20 or more years

Your Credit is

\$250
\$500
\$1,000
\$1,500

The credit cannot exceed 50 percent of tax that would be imposed on a teacher's salary, excluding pensions or other deferred compensation, and is after the application of the standard deduction or itemized deductions.

Contact Franchise Tax Board

Since this bill concerns California tax law, and not retirement law, contact the Franchise Tax Board directly for details, or if you have a question. Call 800-852-5711, Monday through Friday 7:00 a.m. to 8:00 p.m. Information also is available on the Franchise Tax Board Web site at www.ftb.ca.gov.



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How to Reach Us



Write CalSTRS at:

California State Teachers'
Retirement System
P.O. Box 15275
Sacramento CA, 95851-0275

Call CalSTRS Public Service Office:

800-228-5453
916-229-3870
916-229-3541 for TTY for hearing
impaired person.

Browse CalSTRS Web site at:

www.calstrs.ca.gov

When contacting CalSTRS, be sure to
include your Social Security number.

